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SUBJECT: JENIN SECURITY IMPROVEMENTS LURE BUSINESS INVESTMENT, BUT SUCCESS DEPENDS ON MOVEMENT AND ACCESS

¶1. (SBU) Summary: The Herbawi Home Center) a first-of-its-kind home appliance superstore in the West Bank) held a grand opening in Jenin on May 21. Company owners and local government officials say the investment was made possible by security gains in the city over the past two years. Owners estimate that the Home Center's success will depend in part on Arab-Israeli customers, as well as on GOI cooperation in allowing timely deliveries over the Green Line. End Summary

A Grand Opening

¶2. (SBU) EconOff attended the grand opening of the Herbawi Home Center in Jenin on May 21. The Home Center consists of four (soon to be seven) spacious floors stocked with modern home appliances, furniture, and other related products. The store's owners claim this is the first home appliance superstore to open in the West Bank. In his public remarks, Jenin Governor Qadora Musa said the establishment of the Home Center demonstrates the private sector's confidence and willingness to invest in Jenin and comes as a result of improved security over the past two years. Over 200 people attended the opening, including the PA Minister of Economy and the Mayor of Hebron (a Jenin native).

A First for Jenin

¶3. (SBU) The general manager and owner of Herbawi Home Center, Nasri al-Herbawi, who owns smaller furniture outfits in Hebron, Ramallah, Nablus, and Tulkarm, told EconOff that he decided to open the Home Center in Jenin because there is nothing of its kind in the northern West Bank. Also, a Jenin location makes it possible to target the vast number of Arab-Israelis living across the Green Line. Herbawi expressed enthusiasm about reported Israeli plans to allow Arab-Israelis to drive private vehicles into Jenin to shop. In the meantime, he said, the Home Center will provide delivery service over the Green Line. Herbawi anticipates some problems with moving his product over the border, but confided to EconOff that his company receives "special treatment" because of his trusted name and longstanding record of firm documentation of all transactions.

¶4. (SBU) Herbawi told EconOff that, although Home Center products are available in Israel, his prices are more competitive, and he believes Arab-Israelis will be inclined to support a West Bank company. Around 70 percent of his products are imported, mostly from China and Malaysia, and the rest are locally made. The Home Center signed agreements with two large Palestinian distributors, Maslamani and Sbitani (both based in East Jerusalem), to supply the store

with kitchen and electronic supplies.

Improved Security Spurs Investment, but Risks Remain

¶5. (SBU) Herbawi's assistant told EconOff that the company has complete confidence in the PA authorities to secure the Home Center) a USD 5-6m investment) and that the improved security was an integral part of the decision to invest in Jenin. However, Herbawi admitted that he viewed the Home Center as an economic risk. "This isn't Ramallah," he said. "We want to try something different, and we're hopeful it can be a success." Herbawi said he has tried to minimize risk by purchasing the building in cash rather than leasing (the common practice) to cut rental costs. Herbawi said that the building cost around USD 5m, and that he is prepared to rent it out if the Home Center fails.

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